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**UNITED STATES BANKRUPTCY COURT
 FOR THE DISTRICT OF NEVADA**

| | | |
|---------------------------|---|--|
| In re: |) | Case No.: 14-13482-ABL |
| |) | |
| NATIVE ENERGY FARMS, LLC, |) | Chapter 11 |
| |) | |
| Debtors, |) | Hearing Date: Local Rule 3017 |
| |) | Hearing Time: Conditional Approval |
| |) | Location: 300 Las Vegas Blvd South, 3rd |
| |) | Floor, Las Vegas, Nevada |
| | | Judge: Not Yet Filed |

DISCLOSURE STATEMENT

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I. INTRODUCTION

This Disclosure Statement (the “Disclosure Statement”) has been prepared by the above-captioned debtor (the “Debtor”), in connection with the solicitation of acceptances of the Debtor’s Plan of Reorganization Dated March 7, 2014 (the “Plan”). The purpose of this Disclosure Statement is to provide adequate information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor’s books and records, that would enable a hypothetical reasonable investor, typical of holders of Claims and equity interests, to make an informed judgment about the Plan. An acceptance or rejection of the Plan must be in writing and may only be made by completing the ballot that accompanies the Plan.

In order for your vote to be counted, it must be received no later than 5:00 p.m. (prevailing Pacific Time) on April 30, 2014 at the following address:

Steven L. Yarmy, Esq.
Nevada Bar No. 8733
2595 S. Torrey Pines Drive
Las Vegas, NV 89146

The Debtor reserves the right, but not the obligation, to extend the voting deadline and to count any votes received thereafter.

This Disclosure Statement includes (among other things), a summary of the Chapter 11 Case, a description of the Claims against and equity interests in the Debtor, a summary of the Plan, a discussion of the Plan’s feasibility, and a liquidation analysis setting forth what holders of a Claim against or equity interest in the Debtor would recover if the Debtor was liquidated immediately under Chapter 7 of the Bankruptcy Code.

UPON BANKRUPTCY COURT APPROVAL OF THE PLAN, THE PLAN WILL BE BINDING UPON ALL CREDITORS AND HOLDERS OF EQUITY INTERESTS.

The Debtor requests that you vote promptly for the Plan upon carefully reviewing the Plan.

If you have any questions concerning the procedures for voting, or any questions concerning your treatment under the Plan, please contact Debtor’s counsel at (702) 586-3513.

THE PLAN IS THE GOVERNING DOCUMENT. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN CONTROL.

THE FINANCIAL PROJECTIONS CONTAINED IN THIS DISCLOSURE STATEMENT REPRESENT THE DEBTOR’S ESTIMATES OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS MORE FULLY DESCRIBED BELOW, SOME OR ALL OF WHICH MAY NOT BE REALIZED. THE FINANCIAL INFORMATION IS UNAUDITED. NONE OF THE FINANCIAL ANALYSIS CONTAINED IN THIS DISCLOSURE STATEMENT IS CONSIDERED TO BE A “FORECAST” OR “PROJECTION” AS TECHNICALLY DEFINED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE USE OF THE WORDS “FORECAST,” “PROJECT,” OR “PROJECTION” WITHIN THE DISCLOSURE

1 STATEMENT RELATES TO THE BROAD EXPECTATIONS OF FUTURE EVENTS OR
2 MARKET CONDITIONS AND QUANTIFICATIONS OF THE POTENTIAL RESULTS UNDER
THOSE CONDITIONS.

3 THE PROFESSIONALS REPRESENTING THE DEBTOR HAVE RELIED UPON
4 INFORMATION PROVIDED BY THE DEBTOR IN CONNECTION WITH THE PREPARATION
5 OF THIS DISCLOSURE STATEMENT AND HAVE NOT INDEPENDENTLY VERIFIED ALL
6 OF THE INFORMATION CONTAINED HEREIN. THE CONTENTS OF THIS DISCLOSURE
STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS, OR TAX ADVICE.
7 YOU SHOULD CONSULT WITH YOUR OWN LEGAL COUNSEL AND ACCOUNTANT AS TO
LEGAL, TAX, AND RELATED MATTERS CONCERNING YOUR CLAIM OR INTEREST.

8 EACH CREDITOR AND EQUITY INTEREST HOLDER IS URGED TO REVIEW THE
9 PLAN IN FULL BEFORE VOTING ON THE PLAN TO ENSURE A COMPLETE
UNDERSTANDING OF THE PLAN AND THIS DISCLOSURE STATEMENT.

10 THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF CREDITORS
11 AND OTHER PARTIES IN INTEREST AND FOR THE SOLE PURPOSE OF ASSISTING THEM
12 IN MAKING AN INFORMED DECISION ABOUT THE PLAN. NO PERSON HAS BEEN
13 AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS IN
14 CONJUNCTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN
15 OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS
DISCLOSURE STATEMENT OR IN THE BALLOTS. IF GIVEN OR MADE, ANY SUCH
INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN
AUTHORIZED BY THE DEBTOR.

16 Attached as Exhibits to this Disclosure Statement are copies of the following documents:

- 17 • **Exhibit A -- Liquidation Analysis**
18 • **Exhibit B -- Financial Projections and Distributions**

19 The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The
20 plan sets forth the means for satisfying claims against and interests in the debtor. In this case, the
Debtor is soliciting its Plan prior to commencing its bankruptcy proceeding. In such a case, section
21 1125 of the Bankruptcy Code requires that a debtor comply with applicable non-bankruptcy law in
connection with its solicitation of the Plan. If no applicable non-bankruptcy law exists, section
22 1126(b) provides that a solicitation must comply with the disclosure requirements set forth in section
1125 of the Bankruptcy Code concerning disclosure statements. The Debtor does not believe that there
24 is an applicable non-bankruptcy law governing the solicitation of this Plan. Accordingly, this
Disclosure Statement is presented to holders of Claims against the Debtor to satisfy the requirements
24 of section 1125 of the Bankruptcy Code in connection with the Debtor's solicitation of votes on the
Plan. In short, the Debtor believes that this Disclosure Statement provides information of a kind, and
25 in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor
and the condition of the Debtor's books and records, that would enable a hypothetical investor to
26 make an informed judgment about the Plan.

1 Debtor expects to file the Plan concurrently with the commencement of its bankruptcy case
2 and your vote on the Plan will be binding, even after the Debtor's bankruptcy case has been
3 commenced.

4 **II. EXPLANATION OF CHAPTER 11**

5 **A. Overview of Chapter 11**

6 Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to chapter
7 11, a debtor in possession attempts to reorganize its business for the benefit of the debtor, its creditors
8 and other parties in interest. The Debtor has not yet commenced bankruptcy proceedings. However,
9 the Debtor expects to file a "prepackaged" bankruptcy after the solicitation of votes on the Plan is
10 completed if all of the Classes of creditors set forth below approve the Plan.

11 The commencement of a chapter 11 case creates an estate comprising all the legal and
12 equitable interests of the debtor as of the date the petition is filed. Sections 1101, 1107, and 1108 of
13 the Bankruptcy Code provide that a debtor may continue to operate its business and remain in
14 possession of its property as a "debtor in possession" unless the bankruptcy court orders the
15 appointment of a trustee. Here, the Debtor fully expects to remain in possession of its assets
16 throughout its Chapter 11 Case.

17 The filing of a chapter 11 petition triggers the automatic stay provisions of the Bankruptcy
18 Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all
19 attempts to collect or recover prepetition claims from the debtor or to otherwise interfere with, or
20 exercise control over, the debtor's property or business. Except as otherwise ordered by the
21 Bankruptcy Court, the automatic stay remains in full force and effect until the effective date of a
22 confirmed plan of reorganization.

23 After a chapter 11 plan has been filed, holders of certain claims against and equity interests in
24 a debtor are permitted to vote to accept or reject such plan. In a typical Chapter 11 Case and before
25 soliciting acceptances of the proposed plan a debtor is required under section 1125 of the Bankruptcy
26 Code to prepare a disclosure statement containing adequate information of a kind, and in sufficient
27 detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan.

28 The Proponents are submitting this Disclosure Statement to holders of Claims against the
Debtor to satisfy the requirements of section 1125 of the Bankruptcy Code. This Disclosure Statement
sets forth specific information regarding the pre-bankruptcy history of the Debtor, and the anticipated
organizational and capital structure and operations of the Reorganized Debtor after confirmation of the
Plan and emergence from chapter 11. This Disclosure Statement also describes the Plan, alternatives
to the Plan, effects of confirmation of the Plan, certain risk factors associated with the debt and equity
securities that will be issued to holders of certain Classes of Claims, and the manner in which
distributions will be made under the Plan. In addition, this Disclosure Statement discusses the
confirmation process and the voting procedures that holders of Claims entitled to vote must follow in
order for their votes to be counted.

29 **B. Plan of Reorganization**

1 The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The
2 plan sets forth the means for satisfying claims against and interests in the debtor. In this case, the
3 Debtor is soliciting its Plan prior to commencing its bankruptcy proceeding. In such a case, section
4 1125 of the Bankruptcy Code requires that a debtor comply with applicable non-bankruptcy law in
5 connection with its solicitation of the Plan. If no applicable non-bankruptcy law exists, section
6 1126(b) provides that a solicitation must comply with the disclosure requirements set forth in section
7 1125 of the Bankruptcy Code concerning disclosure statements. The Debtor does not believe that there
8 is an applicable non-bankruptcy law governing the solicitation of this Plan. Accordingly, this
9 Disclosure Statement is presented to holders of Claims against the Debtor to satisfy the requirements
10 of section 1125 of the Bankruptcy Code in connection with the Debtor's solicitation of votes on the
11 Plan. In short, the Debtor believes that this Disclosure Statement provides information of a kind, and
12 in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor
13 and the condition of the Debtor's books and records, that would enable a hypothetical investor to
14 make an informed judgment about the Plan.

15 The Debtor expects to file the Plan concurrently with the commencement of its bankruptcy
16 case and your vote on the Plan will be binding, even after the Debtor's bankruptcy case has been
17 commenced.

18 C. Confirmation of a Plan of Reorganization

19 If all classes of claims and interests accept a plan of reorganization, the bankruptcy court may
20 confirm the plan if the bankruptcy court independently determines that the requirements of section
21 1129 of the Bankruptcy Code have been satisfied. Section 1129 of the Bankruptcy Code sets forth the
22 requirements for confirmation of a plan and, among other things, requires that a plan meet the "best
23 interests" of creditors test and be "feasible." The "best interests" test generally requires that the value
24 of the consideration to be distributed under a plan to the holders of claims or interests in the debtor is
25 not less than those parties would receive if the debtor were liquidated pursuant to a hypothetical
26 liquidation occurring under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the
27 court generally must find that there is a reasonable probability that the debtor will be able to meet its
28 obligations under its plan without the need for further financial reorganization. With the exception of
approval of the Plan by all impaired classes, the Debtor believes that the Plan satisfies all of the
applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the best
interests of creditors test and the feasibility requirement.

Chapter 11 does not require that each holder of a claim or interest in a particular class vote in
favor of a plan of reorganization in order for the bankruptcy court to determine that the class has
accepted the plan. Rather, a particular class will be determined to have accepted the plan if the court
determines that the plan has been accepted by a majority in number and two-thirds in amount of those
claims actually voting in such class. **Importantly, only the holders of Claims who actually vote will
be counted as either accepting or rejecting the Plan.**

In addition, classes of claims or interests in the debtor that are not "impaired" under a plan of
reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote.
Conversely, classes that are to receive no distribution under the plan are conclusively deemed to have
rejected the plan. Accordingly, acceptances of a plan will generally be solicited only from those
persons who hold claims or equity interests in an impaired class. A class is "impaired" if the legal,
equitable, or contractual rights associated with the claims or equity interests of that class are modified

1 in any way under the plan. Modification for purposes of determining impairment, however, does not
2 include curing defaults and reinstating maturity or payment in full in cash on the effective date of the
3 plan.

4 The bankruptcy court may also confirm a plan of reorganization even though fewer than all
5 classes of impaired claims and equity interests accept it. For a plan of reorganization to be confirmed
6 despite its rejection by a class of impaired claims or equity interests, the proponent of the plan must
7 show, among other things, that the plan does not “discriminate unfairly” and that the plan is “fair and
8 equitable” with respect to each impaired class of claims or equity interests that has not accepted the
9 plan.

10 Under section 1129(b) of the Bankruptcy Code, a plan is “fair and equitable” as to a rejecting
11 class of claims or equity interests if, among other things, the plan provides: (a) with respect to secured
12 claims, that each such holder will receive or retain on account of its claim property that has a value, as
13 of the effective date of the plan, in an amount equal to the allowed amount of such claim or such other
14 treatment as accepted by the holder of such claim; and (b) with respect to unsecured claims and equity
15 interests, that the holder of any claim or equity interest that is junior to the claims or equity interests of
16 such class will not receive or retain on account of such junior claim or equity interest any property at
17 all unless the senior class is paid in full.

18 A plan does not “discriminate unfairly” against a rejecting class of claims or equity interests if
19 (a) the relative value of the recovery of such class under the plan does not differ materially from that
20 of any class (or classes) of similarly situated claims or equity interests, and (b) no senior class of
21 claims or equity interests is to receive more than 100% of the amount of the claims or equity interests
22 in such class. **The Debtor believes that the Plan has been structured so that it will satisfy the
23 foregoing requirements as to any rejecting Class of equity interests, and can therefore be
24 confirmed, if necessary, over the objection of such of Class. The Debtor will not attempt to
25 confirm the Plan over the non-acceptance of any creditor Class.**

26 **III. DEFINITIONS**

27 All capitalized terms used herein, but not defined herein shall have the meaning given to such
28 terms in the Plan. If a term is not defined herein or in the Plan, but is defined in the Bankruptcy Code,
such term has the meaning given to that term in the Bankruptcy Code unless the context of the
Disclosure Statement requires otherwise. References to a code section are references to the
Bankruptcy Code, except as otherwise stated.

29 **IV. SUMMARY OF THE PLAN AND DISTRIBUTIONS UNDER THE PLAN**

30 This Section provides a summary of the Plan and of how Claims against and equity interests in
31 the Debtor are classified and treated under the Plan. The descriptions set forth below are merely
32 summaries and, in the event of an inconsistency with the Plan, the terms of the Plan will govern.
33 Please refer to Section VII hereof for a more detailed discussion of the Plan.

34 **A. Summary of the Plan**

35 The Plan is not complicated. The Debtor is the owner of certain real property totaling 76.88
36 acres located in Goleta, California along the Pacific Coast Highway (the “Property”). The Property is
37 free and clear of liens and encumbrances and has a current market value of \$8-11 million. On April
38

13, 2013, the Debtor borrowed \$1,100,000.00 from SMI/ISC, Inc., as an unsecured promissory note. The Debtor defaulted under the terms of the Note on November 1, 2013. SMI/ISC, Inc., the Debtor's single largest creditor threatened to bring suit and attach its judgment to the Property and conduct a sheriff's sale. The Debtor and SMI/ISC have come to an agreement wherein, the Debtor would file a pre-packaged plan and SMI/ISC would take a subordinate position to a DIP lender and be repaid in full and receive 20% of the profit when the parcel of land and/or lots sold. Prior to these negotiations, the Debtor was actively pursuing a hard money loan and there are very few lenders loaning against unimproved land within the California Coastal Commission zoning area because of various restrictions and the slow process to gain permits. The Planning process alone, to get the parcel split and build takes approximately 18-24 months.

The Debtor is in need of a priming lien under 11 U.S.C. § 364(d)(1) in order to split the parcel into two lots of approximately 38 acres each in order to build two homes with outbuildings. The priming lien will serve as collateral for the promissory note (the "Note") in the amount of \$2,000,000 or more from Golden Bear Capital or a substitute lender (the "DIP Lender"). The Lender requires a priming lien because the lender wants added security in making an additional loan to the Debtor.

Under the Plan, SMI/ISC will have a recorded second deed of trust to secure its unsecured promissory note. After the priming lien is satisfied, SMI/ISC's second deed of trust will be paid, then SMI/ISC will receive the first 20% of any profits on the sale of the property. The purpose of the Plan is to effectively transfer an unsecured claim to a secured claim and borrow additional capital without the necessity and expense of a foreclosure as well as to provide a structure and mechanism to protect and improve and fully realize the value of the Property for the Lenders.

The Plan is the result of arms' length negotiations between the Debtor, SMI/ISC, and Golden Bear Capital, which balances the interests of all parties. Under the Plan, the Lenders will receive the large bulk of distributions from the sale of the Property within a 3 year time limitation. If the property is not sold, the property would revert to the Lenders' in three years and the Debtor agrees not to file any additional actions, such as bankruptcy. If the Property can be successfully developed and sold, the Lenders benefit and the Debtor will realize a substantial gain in profit.

The alternative to the Plan is for the SMI/ISC to bring suit against NEF and then NEF would file for chapter 11 protection in the normal course, which would drag out the reorganization process and increase the costs and expenses of all parties. Further, the SMI/ISC will not have the benefit of the NEF's Manager's and real estate expertise. Under these circumstances, the Debtor believes that the Plan is in the best interest of the it's Creditors' and urges you to vote for the Plan

B. Distributions under the Plan

The following is a summary of the Distributions under the Plan. Claims (except Administrative Claims and Claims of Professionals) against and equity interests in the Debtor will receive Distributions under the Plan as set forth below:

| Class | Claim | Claim Amount | Projected Recovery Under the Plan | Status | Voting Rights |
|-------|--------------------------|----------------|-----------------------------------|----------|------------------|
| 1 | SMI/ISC, Inc. | \$1,298,000.00 | 100% | Impaired | Entitled to Vote |
| 2 | General Unsecured Claims | \$30,000.00 | 100% | Impaired | Entitled to Vote |

| | | | | | |
|---|---|----------------|------|------------|------------------|
| 3 | Equity Interest | \$7,000,000.00 | 100% | Unimpaired | Deemed to Accept |
| 4 | Golden Bear Capital or a Substitute § 364(d)(1) DIP Lender | \$1,500,000.00 | 100% | Unimpaired | Deemed to Accept |

V. VOTING INSTRUCTIONS

IT IS IMPORTANT THAT YOU EXERCISE YOUR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. If you are or may be entitled to vote on the Plan, you have been sent a ballot (the "Ballot") and instructions for voting with this Disclosure Statement. You should read the Ballot carefully and follow the instructions contained therein. Please use only the Ballot sent to you with this Disclosure Statement.

To simplify the voting procedure, Ballots have been sent only to all known holders of Claims and equity interests, including Disputed Claims to which objections may be filed once the Chapter 11 Case has been commenced. The Bankruptcy Code and the Bankruptcy Rules provide that only the holders of Allowed Claims (or Claims which are deemed Allowed) and holders of Allowed equity interests are entitled to vote on the Plan. The Bankruptcy Court may temporarily allow a Disputed Claim to which an objection has been filed for purposes of voting on the Plan. Therefore, although the holders of Disputed Claims to which an objection has been filed will receive Ballots, these votes will not be counted unless the Bankruptcy Court temporarily allows such Claims for purposes of voting on the Plan.

If a party in interest is a member of more than one Class, it will receive a Ballot for each Class. IF YOU ARE A MEMBER OF MORE THAN ONE CLASS, YOU MUST FILL OUT AND RETURN ALL BALLOTS SENT TO YOU FOR YOUR VOTE TO COUNT IN EACH CLASS.

AN ACCEPTANCE OR REJECTION OF THE PLAN MAY BE VOTED BY COMPLETING THE BALLOT THAT ACCOMPANIES THE PLAN AND THE DISCLOSURE STATEMENT, AND RETURNING IT NO LATER THAN 5:00 P.M. (PREVAILING PACIFIC TIME) ON APRIL 30, 2014 TO:

Steven L. Yarmy, Esq.
Nevada Bar No. 8733
2595 S. Torrey Pines Drive
Las Vegas, NV 89146

IF YOUR BALLOT IS NOT RETURNED BY SUCH TIME, IT MAY NOT BE CONSIDERED. BALLOTS WHICH ARE RETURNED BUT NOT PROPERLY EXECUTED OR WHICH FAIL TO INDICATE EITHER ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED.

VI. BACKGROUND & EVENTS PRECIPITATING THE CHAPTER 11 FILING

The Debtor's only asset is Vacant Land in Goleta, California, which is a 76.88 acres single parcel with Pacific Ocean views and beach access known as APN: 081-140-23-00. The Property was originally held in trust by the Coastal Band of Chumash Nation, a California Non Profit Corporation for Kote Lotah and then transferred to the Southern Chumash Owl Clan, a California Unincorporated Association, its President is Kote Lotah. The Debtor and the Southern Chumash Owl Clan through its

1 President, Kote Lotah entered into a Joint Venture Agreement/Operating Agreement wherein the
2 Southern Chumash Owl Clan would retain 51% interest in the Property and the Debtor would retain
3 49% interest in the Property. The Debtor under the Agreement is to develop the Property and split the
4 Profits 51/49 when the Property sells. Initially, the loan from SMI/ISC was utilized for feasibility
5 studies for the possibility of constructing an ethanol plant using molasses as its feed stock. The ethanol
6 venture did not pan out. The Debtor then changed course and decided to develop the property as two
7 small ranches as its highest and best use.

8
9 The Debtor is the owner of certain real property totaling 76.66 acres located in Goleta,
10 California along the Pacific Coast Highway (the "Property"). The Property is free and clear of liens
11 and encumbrances and has a current market value of \$8-11 million, when developed. The valuation is
12 determined by recent sales of similar property with a small ranch style home.

13
14 On April 13, 2013, the Debtor borrowed \$1,100,000.00 from SMI/ISC, Inc., as an unsecured
15 promissory note. Because finding a development loan took so long SMI/ISC lost trust in the Debtor's
16 management and was getting impatient because there appeared to be little progress on the Property.
17 However, the Debtor has spent the funds from SMI/ISC on consultant's appraisers, and contractors to
18 improve the existing well and electrical, and the grading of a road and general clearing as well as
19 operating capital.

20
21 The Debtor defaulted under the terms of the Note on November 1, 2013. SMI/ISC, Inc., the
22 Debtor's single largest creditor threatened to bring suit and attach its judgment to the Property and
23 conduct a sheriff's sale unless an amicable resolution was thought out. The Debtor and SMI/ISC have
24 come to an agreement wherein, the Debtor would file a pre-packaged plan and SMI/ISC would take a
25 subordinate position to the DIP lender and be repaid it's the funds lent and receive 20% of the profit
26 when the parcel and/or lots sell. Prior to these negotiations, the Debtor was actively pursuing a hard
27 money loan and there are very few lenders loaning against unimproved land within the California
28 Coastal Commission zoning area because of various restrictions and the slow process to gain permits.
The Planning process alone, to get the parcel split and build takes approximately 18-24 months.

The Debtor is in need of a priming lien under 11 U.S.C. § 364(d)(1) in order to split the parcel
into two lots of 38 acres each and build two homes with outbuildings. The priming lien will serve as
collateral for the promissory note (the "Note") in the amount of \$2,000,000 or more from Golden Bear
Capital or a substitute lender (the "DIP Lender"). The DIP Lender requires a priming lien because the
lender wants added security in making an additional loan to the Debtor.

Under these circumstances, the Debtor believes that the Plan is in the best interest of it's
Creditors' and urges you to vote for the Plan

VII. THE PLAN

A copy of the Plan accompanies this Disclosure Statement as Exhibit A. The following
summary of the material provisions of the Plan is qualified in its entirety by the specific provisions of
the Plan, including the Plan's definitions of certain terms used below. The following is intended only
to provide a general description of the Plan. For more specific information concerning the Plan, the
Plan should be referenced. For an overview of the Plan, please refer to Section IV above.

A. Treatment of Unclassified Claims Under the Plan

As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, including, without limitation, Claims for Professional Fees, are not classified for purposes of voting on, or receiving distributions under, the Plan. Holders of such Claims are not entitled to vote on the Plan. All such Claims are instead treated separately in accordance with Article 2 of the Plan and in accordance with the requirements set forth in Section 1129(a)(9)(A) of the Bankruptcy Code.

1. Administrative Claims

Administrative Claims other than Claims for Professional Fees shall be paid in full in Cash by the reorganized Debtor on the Effective Date, except as otherwise permitted by the Bankruptcy Code or as otherwise agreed by the reorganized Debtor and the holders of any such Administrative Claims. All requests for payment of Administrative Claims, other than requests for payment of Claims for Professional Fees, must be filed by the Administrative Claim Bar Date or the holders thereof shall be forever barred from asserting such Administrative Claims against the Debtor or the reorganized Debtor.

2. Professional Fees

Each Person seeking an award by the Bankruptcy Court of Professional Fees, except Debtor's counsel: (a) must file a final application for allowance of compensation for services rendered and reimbursement of expenses incurred through the Effective Date within thirty (30) days of the Effective Date; and (b) if the Bankruptcy Court grants such an award, it must be paid in full in Cash by the Debtor with funds contributed by the Parent in such amounts as are allowed by the Bankruptcy Court as soon thereafter as practicable. All final applications for allowance and disbursement of Professional Fees must be in compliance with all of the requirements of the Bankruptcy Code, the Bankruptcy Rules and any applicable guidelines and with all of the terms and conditions set forth in any applicable order of the Bankruptcy Court, including, without limitation, the Confirmation Order, and all other orders governing payment of Professional Fees. The Debtor will have outstanding post-petition attorney's fees owed to Debtor's counsel in the amount of \$25,000.00 plus costs of \$1,213.00 based upon the Debtor's fixed fee agreement with debtor's counsel. These fees will be satisfied from the new DIP Loan.

3. Post-Effective Date Professional Fees

All Professional Fees for services rendered in connection with the Chapter 11 Case and the Plan after the Effective Date are to be paid by the reorganized Debtor upon receipt of an invoice for such services, or on such other terms to which the reorganized Debtor and the relevant Professional may agree, without the need for further Bankruptcy Court authorization or entry of a Final Order.

B. Summary of Classification and Treatment of Claims Under the Plan

In accordance with section 1123(a)(1) of the Bankruptcy Code, all Claims of Creditors (except those Claims receiving treatment as set forth in Section VII(A) above) and holders of equity interests

are placed in the Classes described below for all purposes, including, without limitation, voting on, Confirmation of, and Distribution under, the Plan:

| Class | Claim | Claim Amount | Status | Voting Rights |
|-------|--|----------------|------------|------------------|
| 1 | SMI/ISC, Inc. | \$1,298,000.00 | Impaired | Entitled to Vote |
| 2 | General Unsecured Claims | \$30,000.00 | Impaired | Entitled to Vote |
| 3 | Equity Interest | \$7,000,000.00 | Unimpaired | Deemed to Accept |
| 4 | Golden Bear Capital 364(d)(1) DIP Loan | \$1,500,000.00 | Unimpaired | Deemed to Accept |

The treatment of Claims against and equity interests in the Debtor under the Plan is set forth below and is consistent with the requirements of Section 1129(a) of the Bankruptcy Code:

1. Class 1 – Claim of SMI/ISC, Inc.

This Class 1 claim will consist of a Secured Claim in favor of SMI/ISC, Inc. against the Debtor's Vacant Land located in Goleta, California more commonly known as APN: 081-140-023, which will be secured by a Second Deed of Trust.

(a) On the Effective Date, the holder of the unsecured Note dated April 13, 2013 in favor of SMI/ISC, Inc., and in complete satisfaction of such claim shall be fully released and converted to a secured claim and subordinated second deed of trust to the Claim of the DIP Lender Golden Bear Capital:

(b) *Principal Balance.* The principal balance of the Class 1 claim shall be the Allowed Secured Lender Claim in the amount of \$1,298,000.00.

(c) *Lien.* From and after the Confirmation Date, the Holder of the Class 1 Claim shall be allowed to record a second deed of trust in the Collateral consistent with the applicable Loan Documents until the Class 1 claim is repaid in full.

(d) *Post-Effective Date Interest Rate.* Interest shall accrue on the Class 1 Holders Claim at an interest only rate of 3.00% per annum.

(e) *Monthly Payments.*

(i) There shall be no monthly payments, payments shall accrue until paid.

(f) *Maturity Date.* The unpaid balance of the Class 1 claim shall be due and payable 36 months after the Effective Date.

(g) *Prepayment.* There shall be no penalty for prepayment for all or part of the Class 1 claim prior to the Maturity Date.

1 (h) *Property Taxes & Insurance*. The Debtor shall be responsible for all property taxes and
2 general liability insurance.

3 (i) *Refinancing and Sale Options*. Prior to the Maturity Date, Reorganized Debtor shall have
4 the absolute right to act as follows:

5 (i) Refinance; provided, however, that the proceeds of such refinancing loan are sufficient
6 to pay, and are utilized to pay, all sums due and owing under the Class 1 claim at the time
7 of closing of such refinancing, unless Secured Lender otherwise agrees; or

8 (ii) Sell the Real Property free and clear of Secured Lender's Liens; provided, however,
9 that the proceeds of such sale are sufficient at the time of closing of such sale to pay, and
10 are utilized to pay, all sums due and owing under the Class 1 claim, unless Secured Lender
11 otherwise agrees.

12 (j) *Equity Share in Sales Profits*. SMI/ISC shall be entitled to twenty percent (20%) of the sales
13 profits from the sale of the property after all liens and expenses are deducted.

14 (k) *Default*. On the Effective Date, the Loan Documents shall remain in full force and effect as
15 related to Default terms under the Note and Deed of Trust. Should the Debtor not be able to satisfy the
16 above obligation to SMI/ISC the Debtor shall provide and SMI/ISC shall accept a Deed in Lieu of
17 Foreclosure or Quiet Claim/Grant Deed in full satisfaction of its obligations to SMI/ISC.

18 ***Impairment and Voting:*** Class 1 is impaired. Holders of the Class 1 claim are entitled to vote
19 to accept or reject this Plan.

20 **2. General Unsecured Claims**

21 Class 2 Claims consist of the General Unsecured Claims against the Debtor of Global
22 Guidance Group, LLC.

23 (a) *Treatment*: Holders of Class 2 General Unsecured Claims on the Effective Date shall, in
24 full satisfaction, settlement, release and exchange for such Allowed General Unsecured Claims, shall
25 receive two payments. The first payment shall come from the DIP Loan Proceeds equal to \$22,500.00.
26 The remaining \$7,500.00 shall be paid when the property sells, with interest to accrue at a rate of ten
27 percent per annum compounding.

28 ***Impairment and Voting:*** Class 2 is impaired. Holders of Allowed General Unsecured Claims
are entitled to vote to accept or reject this Plan.

3 **3. Equity Interest of the Debtor**

Class 3 consist of the Equity Interest of the Debtor.

(a) *Treatment*. The Equity Interest of the Debtor are unimpaired by the Plan and conclusively
deemed to have accepted the Plan, pursuant to Bankruptcy Code section 1126(f). No solicitation is
required.

Impairment and Voting: Class 3 is not unimpaired by the Plan, the Holders of Allowed
General Unsecured Claims are conclusively deemed to have accepted the Plan, pursuant to

1 Bankruptcy Code section 1126(f). No solicitation is required.

2 **4. DIP Lender – Golden Bear Capital and/or its assigns or a substitute lender**

3 Class 4 consist of Golden Bear Capital's and/or its assigns or a substitute lender
4 § 364(d)(1) super priority first deed of trust.

5 (a) Treatment. Upon Plan Confirmation Golden Bear Capital and/or its successors or assigns or
6 a replacement lender shall be authorized to lend the Debtor any amount of capital and receive a first
super priority deed of trust against the vacant land more fully described in Exhibit A of the Plan.

7 **A. Implementation of the Plan**

8 The following section describes the means for implementing the Plan.

- 9 **1. Management.** On and after the Effective Date, the Debtor shall be managed as provided in
10 the existing Operating Agreement. Further, without limiting the generality of the foregoing,
11 the Manager shall be entitled to receive the Management Fee and all other compensation
12 and reimbursements described in the Operating Agreement. The entry of the Confirmation
Order shall ratify and approve all actions taken by the Debtor prior to the date thereof.
- 13 **2. Adoption of Operating Agreement.** On and after the Effective Date, and without further
14 order of the Bankruptcy Court or need for corporate approval, the Debtor shall be governed
15 by the Existing Operating Agreement and such agreement shall be the operating agreement
in respect of the Debtor.
- 16 **3. Certain Tax Provisions.** Pursuant to section 1146(a) of the Bankruptcy Code, the making
17 or delivery of an instrument of transfer as part of a transaction authorized by the Plan,
18 including, without limitation, any transfers of Property shall not be taxed under any law
imposing a stamp tax or similar tax.
- 19 **4. Post-confirmation matters.** On and after the Effective Date, without need for further
20 action by the members or managers of the Debtor, and without further order of the
21 Bankruptcy Court, the Debtor shall be appointed estate representative under section 1123
22 of the Bankruptcy Code and shall be solely responsible for and shall have authority to: (a)
23 make all Distributions required to be made on or after the Effective Date to the holders of
24 Allowed Claims, including Distributions of Sales Profits; (b) settle, resolve and object to
24 Claims; (c) retain, employ and utilize such Professionals as may be necessary without
25 further approval of the Bankruptcy Court; and (d) do all things necessary and appropriate
26 to fulfill the duties and obligations of the Debtor under the Plan, the Confirmation Order,
27 the Bankruptcy Code and the Bankruptcy Rules. The Debtor, in its capacity as estate
28 representative, shall comply with all withholding and reporting requirements imposed upon
it by any Governmental Unit under applicable law and all Distributions shall be subject to
such withholding and reporting requirements, if any.

On and after the Effective Date, and without further order of the Bankruptcy Court, the

Parent shall be appointed estate representative under section 1123 of the Bankruptcy Code and shall be solely responsible for and shall have authority to: (a) pay all fees payable under 28 U.S.C. § 1930; (b) file any post-Confirmation reports required by the Bankruptcy Code or the Bankruptcy Court and (c) move for the entry of a Final Decree and prepare and file any pleadings as may be required by the Bankruptcy Court in connection with the Final Decree and the closing of the Chapter 11 Case.

5. **Corporate Authority.** The entry of the Confirmation Order shall constitute authorization for the Debtor to take or cause to be taken all corporate actions necessary or appropriate to implement all provisions of, and consummate, the Plan, and the Plan Documents prior to, on and after the Effective Date and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court without further approval, act or action under any applicable law, order, rule, or regulation, including, without limitation, any action required by holders of Old Membership Units, including, among other things, the issuance of Class A Membership Interests and Class B Membership Interests, and the adoption of the New Operating Agreement under the Plan.
6. **Release of Claims by Releasing Lenders.** On the Effective Date, each of the Lenders voting in favor of the Plan (each a “Releasing Lender”) and SMI/ISC, on behalf of itself and each of its agents, successors, assigns and representatives of any kind (collectively, the “Releasing Lender Parties”), shall and hereby does voluntarily forever release and discharge the Debtor, any other obligors under the Note, the Guarantor, any obligors under any other guarantees of the Note (if any) and each of such Person’s respective agents, successors, assigns and representatives of any kind (collectively, the “Debtor Parties”) from any and all claims, demands, causes of action and rights of every kind, nature or character arising or existing on or before the Effective Date arising out of or in any way related to the Note, the Guarantee, any other guarantees of the Note or the Property; whether absolute, inchoate or contingent; whether determined or undetermined, known or unknown, proven or unproven; whether held individually, jointly, or jointly and severally; whether arising directly, indirectly, derivatively, or by way of any legal or equitable right of subrogation, contribution, indemnity, estoppel, marshalling of assets or otherwise; whether for compensation, relief, protection, punishment or any other remedy or result of any kind, character or nature; whether based upon any intentional or negligent conduct, strict liability, any tort of any kind, upon any breach of any contract or upon any other grounds or upon any other theory whatsoever; whether asserted or subject to assertion by complaint, cross-complaint, counterclaim, affirmative defense, or other pleading, by motion, by notice or otherwise; whether asserted or subject to assertion in any jurisdiction, in any court or other forum or with any federal, state, county, municipal or other governmental authority, agency or official; and whether arising at law, in equity or otherwise.

Lenders that do not vote, or vote against the Plan shall not be considered Releasing Lenders under the Plan; however, the Debtor and the Guarantors reserve all of their rights under the Nevada Statute.

1 **7. Release of Claims by Debtor Parties.** On the Effective Date, each Debtor Party hereby
 2 forever releases and discharges each Releasing Lender Party from any and all claims,
 3 demands, causes of action and rights of every kind, nature or character arising or existing
 4 on or before the Effective Date arising out of or in any way related to the Note, the
 5 Guarantee, any other guarantees of the Note (if any) or the Property; whether absolute,
 6 inchoate or contingent; whether determined or undetermined, known or unknown, proven
 7 or unproven; whether held individually, jointly, or jointly and severally; whether arising
 8 directly, indirectly, derivatively, or by way of any legal or equitable right of subrogation,
 9 contribution, indemnity, estoppel, marshalling of assets or otherwise; whether for
 10 compensation, relief, protection, punishment or any other remedy or result of any kind,
 11 character or nature; whether based upon any intentional or negligent conduct, strict
 12 liability, any tort of any kind, upon any breach of any contract or upon any other grounds
 or upon any other theory whatsoever; whether asserted or subject to assertion by complaint,
 cross-complaint, counterclaim, affirmative defense, or other pleading, by motion, by notice
 or otherwise; whether asserted or subject to assertion in any jurisdiction, in any court or
 other forum or with any federal, state, county, municipal or other governmental authority,
 agency or official; and whether arising at law, in equity or otherwise.

13 **8. Avoidance Actions.** The Debtor does not believe that the estate has any viable avoidance
 14 actions and, therefore, does not intend to pursue any such actions after the Effective Date.

15 **VIII. CONDITIONS PRECEDENT**

16 **A. Conditions to Confirmation**

17 It is a condition precedent to Confirmation that the Bankruptcy Court enters a Confirmation
 18 Order in form and substance reasonably acceptable to the Debtor and SMI/ISC and Golden Bear
 19 Capital and/or its assigns or a replacement lender, which shall include a provision that the Real
 20 Property shall be held by the Debtor on the Effective Date free and clear of Liens, Claims or interest
 other than those Liens and Interest as provided for in the Plan.

21 **B. Conditions to Effectiveness**

22 The following are conditions precedent to the occurrence of the Effective Date:

- 24 (a) the Confirmation Date shall have occurred;
- 24 (b) the Confirmation Order shall have been entered and shall be a Final Order;
- 25 (c) no request for revocation of the Confirmation Order under section 1144 of the
 26 Bankruptcy Code shall have been made, or, if made, remain pending;
- 27 (d) the Debtor shall have received all approvals necessary or appropriate to substantially
 28 consummate the Plan; and

- (e) each and every Plan Document shall be fully executed and in form and substance reasonably satisfactory to the Debtor and SMI/ISC and Golden Bear Capital.

C. Waiver of Conditions

Conditions to Confirmation and the occurrence of the Effective Date may be waived, in whole or in part, by the Debtor at any time with the consent of Clayton or an order of the Bankruptcy Code.

D. Failure of Condition

If the Effective Date shall not occur, the Debtor and all other parties in interest shall retain all their rights and remedies as if the Plan had not been proposed. Among other things, the Plan shall be null and void and nothing contained in the Plan shall: (a) constitute a waiver of any Claims against or equity interests in the Debtor or (b) prejudice in any manner the rights of the Debtor or the Lenders.

IX. DISPUTED CLAIMS

A. Objection Deadline

Any objections to Administrative Claims and all other Claims made after the Effective Date shall be filed and served on the holders of such Administrative Claims and Claims not later than sixty (60) days after the Effective Date or such later date as may be approved by the Bankruptcy Court via ex parte request.

B. Prosecution of Disputed Claims

The Debtor, as estate representative, may object to the allowance of Claims and Administrative Claims filed with the Bankruptcy Court with respect to which liability is disputed in whole or in part. All objections that are filed and prosecuted as provided herein shall be litigated to Final Order or compromised and settled in accordance with the Plan.

C. Entitlement to Plan Distributions upon Allowance

Notwithstanding any other provision of the Plan, no Distribution shall be made with respect to any Claim to the extent it is a Disputed Claim, unless and until such Disputed Claim becomes an Allowed Claim. When a Claim that is not an Allowed Claim as of the Effective Date becomes an Allowed Claim (regardless of when), the holder of such Allowed Claim shall thereupon become entitled to receive Distributions in respect of such Claim the same as though such Claim had been an Allowed Claim on the Effective Date.

X. EFFECT OF CONFIRMATION

A. Revesting of Assets

Subject to the provisions of the Plan and the Confirmation Order, the property of the Estate, including, without limitation, the Property commonly known as APN: 081-140-023, shall vest in the Debtor on the Effective Date. As of the Effective Date, all such property, including, without limitation, the Property, shall be free and clear of all Claims, Liens and equity interests, including, without limitation, any claims arising from the Unsecured Note, any other Liens or interest to the

1 fullest extent permitted by section 1141(c) of the Bankruptcy Code. From and after the Effective Date,
2 the Debtor shall be free of any restriction imposed by the Bankruptcy Court, the Bankruptcy Code and
the Bankruptcy Rules, other than the obligations set forth in the Plan, or the Confirmation Order.

3 **B. Discharge**

4 Except as provided in the Plan or the Confirmation Order, the rights afforded under the Plan
5 and the treatment of Claims and equity interests under the Plan are in exchange for and in complete
6 satisfaction, discharge, and release of, all Claims. Except as provided in the Plan or the Confirmation
7 Order, Confirmation discharges the Debtor and the reorganized Debtor from all Claims or other debts
8 that arose before the Effective Date, and all debts of the kind specified in Sections 502(g), 502(h) or
9 502(i) of the Bankruptcy Code, whether or not: (a) a proof of claim based on such debt is filed or
deemed filed under Section 501 of the Bankruptcy Code; (b) a Claim based on such debt is Allowed
under Section 502 of the Bankruptcy Code; or (c) the holder of a Claim based on such debt has
accepted the Plan.

10 **XI. JURISDICTION**

11 Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date,
12 and as more particularly set forth in the Plan, the Bankruptcy Court shall retain and have all authority
13 and jurisdiction as is allowed under the Bankruptcy Code and other applicable law to enforce the
14 provisions, purposes, and intent of the Plan; provided, that nothing in the Plan or the Confirmation
Order shall provide the Bankruptcy Court with any jurisdiction to determine the rights of the Debtor,
the Guarantor or any of the Lenders under or in connection with the Nevada Statute.

15 **XII. AMENDMENT AND WITHDRAWAL OF PLAN**

16 **A. Amendment of the Plan**

17
18 At any time before the Confirmation Date, the Debtor may alter, amend, or modify the Plan
19 under section 1127(a) of the Bankruptcy Code; provided that the Debtor may not materially modify
20 the treatment of any Class that has accepted the Plan without the consent of such Class. After the
21 Confirmation Date and before substantial consummation of the Plan as defined in section 1101(2) of
22 the Bankruptcy Code, the Debtor may, under section 1127(b) of the Bankruptcy Code, institute
23 proceedings in the Bankruptcy Court to remedy any defect or omission in, or reconcile any
24 inconsistencies in the Plan or the Confirmation Order, and to implement such action as may be
necessary to carry out the purposes and effects of the Plan so long as such proceedings do not
materially and adversely affect the treatment of holders of Claims under the Plan; provided, that prior
notice of such proceedings shall be served in accordance with the Bankruptcy Rules or applicable
order of the Bankruptcy Court.

24 **B. Revocation or Withdrawal of the Plan**

25
26 The Debtor reserves the right to revoke or withdraw the Plan at any time and for any reason
27 before the Confirmation Date. Without limiting the generality of the foregoing, the Debtor may
28 withdraw the Plan in the event that any Class does not accept the Plan or if there is substantial
opposition to the Plan from any Lender notwithstanding such acceptance. If the Plan is withdrawn or
revoked, then the Plan shall be deemed null and void, and nothing contained in the Plan or any Plan

1 Documents shall be deemed a waiver of any Claims by or against the Debtor or any other Person in
2 any further proceedings involving the Debtor.

3 **XIII. TAX CONSEQUENCES OF THE PLAN**

4 THE PLAN MAY HAVE SIGNIFICANT TAX CONSEQUENCES FOR ALL CREDITORS
5 AND EQUITY HOLDERS OF THE DEBTOR. ACCORDINGLY, EACH HOLDER OF A CLAIM
6 OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH HIS OR HER TAX
7 ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX
8 CONSEQUENCES OF THE PLAN.

9 THE DEBTOR AND THE REORGANIZED DEBTOR MAY WITHHOLD ALL AMOUNTS
10 REQUIRED BY LAW TO BE WITHHELD FROM PAYMENTS TO HOLDERS OF ALLOWED
11 CLAIMS.

12 **XIV. RISK FACTORS**

13 The restructuring of the Debtor contemplated by the Plan involves a degree of risk, and this
14 Disclosure Statement contains forward-looking statements that involve risks and uncertainty. The
15 Debtor's actual results could differ materially from those anticipated in such forward-looking
16 statements as a result of a variety of factors, including those set forth in the following risk factors and
17 elsewhere in this Disclosure Statement. **Holders of Claims and equity interests should consider
18 carefully the following factors, in addition to the other information contained in this Disclosure
19 Statement, before submitting a vote to accept or reject the Plan. The below risk factors should
20 not be regarded as constituting the only risks involved in connection with the Plan and its
21 implementation.**

22 The Plan contains several material risks, including, without limitation:

23 There is no guarantee that liquidity in the real estate market in Santa Barbara County will
24 improve in the future. As a result, the Property may lose value after the Effective Date, impairing the
25 value of the Equity Interests, to the Lenders under the Plan and Sales Profits.

26 Although the Debtor believes that it can weather the downturn in the real estate market, such
27 an outcome is not guaranteed. If the Debtor fails, it will not be able to effectively market the Property
28 and the Property could lose value.

Under the Plan, the Debtor's Members are prepared to pay the cost of the plan process only so
long as such cost is reasonable. If there are lengthy objections to the Plan, such parties may refuse to
continue to fund the Debtor. In such a case, the Plan will likely be withdrawn and the Debtor's
bankruptcy case may be converted to chapter 7. In such event, the Plan will not be confirmed and the
Lenders will lose the benefit of the Plan.

29 **XV. LIQUIDATION ANALYSIS**

Section 1129(a)(7) of the Bankruptcy Code requires that a holder of a Claim in an impaired
Class receive or retain under the Plan not less than the holder would receive or retain on account of the

1 Claim if the debtor were liquidated under Chapter 7 of the Bankruptcy Code. This test is often referred
2 to as the “best interest of creditors” test.

3 To apply the “best interests” test, the Bankruptcy Court must first calculate the aggregate
4 dollar amount that would be generated from a liquidation of the Debtor’s assets in a hypothetical
5 liquidation on the Effective Date under Chapter 7, including the amount of cash and other tangible
6 assets held by such Debtor and the value of any projected recoveries on actions against third parties
7 and other intangible assets held by such Debtor (the “Liquidation Value”). The Liquidation Value
8 must then be reduced by the costs of liquidation, including administrative costs of the Chapter 7
9 estates and compensation to the Chapter 7 trustees and other professionals retained by the trustees (the
10 “Liquidation Costs”). After estimating the Liquidation Value and the Liquidation Costs, the
11 Bankruptcy Court must ascertain the potential Chapter 7 recoveries by Creditors and then compare
12 those recoveries with the distributions offered under the Plan to determine if the Plan is in the “best
13 interests” of Creditors in each Class. Attached hereto as Exhibit B is a spreadsheet (the “Spreadsheet”)
14 setting forth the Liquidation Value, the Liquidation Costs and the expected return to unsecured
15 creditors in a Chapter 7 case.

16 The Debtor has valued the property based upon recent sales of similar property compared to
17 the subject property within 10 miles from the subject. However, the driving factor in the valuation will
18 be the time to market the property without improvements, which could take 18 months.

19 **XVI. ACCEPTANCE AND CONFIRMATION OF THE PLAN**

20 The following is a brief summary of the provisions of the Bankruptcy Code relevant to
21 acceptance and confirmation of a plan of reorganization. Holders of Claims and equity interests are
22 encouraged to review the relevant provisions of the Bankruptcy Code with their own attorneys.

23 **A. Acceptance of the Plan**

24 This Disclosure Statement is provided in connection with the solicitation of acceptances of the
25 Plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a Class of Claims as
26 acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the
27 Allowed Claims of that Class that have actually voted or are deemed to have voted to accept or reject
28 a plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a Class of interests as
acceptance by at least two-thirds in amount of the allowed interests of that Class that have actually
voted or are deemed to have voted to accept or reject a plan.

29 **B. Confirmation**

30 Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a
31 hearing on confirmation of a plan. Notice of the Confirmation Hearing regarding the Plan has been
32 provided to all known holders of Claims and equity interests or their respective representatives along
33 with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the
34 Bankruptcy Court without further notice except for an announcement of the adjourned date made at
35 the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

36 Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to
37 confirmation of a plan. Any objection to confirmation of the Plan must be in writing, must conform
38 with the Bankruptcy Rules, must set forth the name of the objecting party, the nature and amount of

1 Claims or equity interests held or asserted by that party against the Debtor's Estate or property, and
 2 the specific basis for the objection. Such objection must be filed with the Bankruptcy Court, together
 3 with a proof of service, and served on all parties and by the date set forth on the notice of the
 Confirmation Hearing.

4 At the Confirmation Hearing, the Debtor will request that the Bankruptcy Court determine that
 5 the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If the Bankruptcy Court
 6 so determines, the Bankruptcy Court will enter an order confirming the Plan. The applicable
 requirements of Section 1129 of the Bankruptcy Code are as follows:

- 7 • The Plan must comply with the applicable provisions of the Bankruptcy Code;
- 8 • The Debtor must have complied with the applicable provisions of the Bankruptcy Code;
- 9 • The Plan must have been proposed in good faith and not by any means forbidden by law;
- 10 • Any payment made or promised to be made by the Debtor under the Plan for professional
 11 services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection
 12 with the Plan, must have been disclosed to the Bankruptcy Court, and any such payment made before
 13 Confirmation of the Plan must be reasonable, or if such payment is to be fixed after Confirmation of
 the Plan, such payment must be subject to the approval of the Bankruptcy Court as reasonable;
- 14 • The Debtor must have disclosed the identity and affiliates of any individual proposed to
 15 serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the Debtor under the
 16 Plan. Moreover, the appointment to, or continuance in, such office of such individual, must be
 17 consistent with the interests of holders of Claims and equity interests and with public policy, and the
 Debtor must have disclosed the identity of any insider that the reorganized Debtor will employ or
 retain, and the nature of any compensation for such insider;
- 18 • With respect to each Class of impaired Claims or equity interests, either each holder of a
 19 Claim or equity interest of such Class must have accepted the Plan, or must receive or retain under the
 20 Plan on account of such Claim or equity interest, property of a value, as of the Effective Date of the
 Plan, that is not less than the amount that such holder would receive or retain if the Debtor were
 liquidated on such date under Chapter 7 of the Bankruptcy Code;
- 21 • Each Class of Claims or equity interests must have either accepted the Plan or not be
 22 impaired under the Plan;
- 23 • Except to the extent that the holder of a particular Claim has agreed to a different treatment
 24 of such Claim, the Plan provides that Allowed Administrative Claims will be paid in full on the
 24 Effective Date;
- 25 • If a Class of Creditors is impaired under the Plan, at least one impaired Class of Claim must
 26 have accepted the Plan, determined without including any acceptance of the Plan by any insider
 27 holding a Claim of such Class; and
- 28 • Confirmation of the Plan must not be followed by the liquidation, or the need for further
 financial reorganization of the Debtor or any other successor.

XVII. MISCELLANEOUS PROVISIONS

A. Filing Objections to Claims

From and after the Effective Date, the Debtor, in its capacity as estate representative, may litigate to Final Order, propose settlements of, or withdraw objections to, all pending or filed Disputed Claims and may settle or compromise any Disputed Claim without notice and a hearing and without approval of the Bankruptcy Court.

B. Holding of, and Failure to Claim, Undeliverable Distributions

All Distributions other than Distributions to the Lenders are to be made to the holder of each Allowed Claim by the Debtor as estate representative at the address of such holder listed on the Schedules or proof of claim filed by such holder at the time of such Distribution. Distributions to the Lenders are to be made by tendering such Distributions to the Manager for the benefit of the Lenders. If any holder's Distribution is returned as undeliverable, no further Distributions to such holder shall be made unless and until the Debtor is notified of such holder's then current address, at which time all required Distributions shall be made to such holder. Undeliverable Distributions shall be held by the Debtor until such Distributions are claimed. All Claims for undeliverable Distributions must be made within ninety (90) days following a Distribution. After such date, all unclaimed Distributions shall be allocated pro rata to the members of the Class related to such Distribution notwithstanding any federal or state escheat laws to the contrary.

C. Fractional Amounts

Notwithstanding anything contained herein to the contrary, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down.

D. Ex Parte Relief

Upon ex parte motion by the Debtor after the Confirmation Date, the Bankruptcy Court may enter such order and further orders as may be necessary or appropriate to instruct and direct the Debtor and others, and to facilitate the Distributions contemplated in the Plan.

E. Binding Effect

The Plan shall be binding on, and shall inure to the benefit of, the Debtor and the holders of all Claims and equity interests and their respective successors and assigns.

F. Exculpation

The Debtor, the Parent, the Manager, Clayton and its affiliates and each member of the Steering Committee and their respective officers, directors, agents, managers, shareholders or attorneys shall not be liable for any actions or omissions taken or not taken in connection with or arising out of the administration of the Chapter 11 Case, pursuit of confirmation of the Plan, the

1 consummation of the Plan, or the administration of the Plan or the property to be distributed under the
2 Plan, except for gross negligence or willful misconduct as determined by Final Order of the
Bankruptcy Court.

3 **G. Governing Law**

4 Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights,
5 duties and obligations of the Debtor, all Creditors and any other Person arising under the Plan shall be
6 governed by, and construed and enforced in accordance with, the internal laws of the State of Nevada,
without giving effect to Nevada's choice of law provisions.

7 **H. Modification of Payment Terms**

8 At any time after the Effective Date, the Debtor may modify the treatment of any Allowed
9 Claim or equity interest in any manner adverse to the holder of such Claim or equity interest only with
10 the prior written consent of the holder whose Allowed Claim or equity interest treatment is being
adversely affected.

11 **I. United States Trustee Fees**

12 The Debtor shall pay all quarterly fees payable to the Office of the United States Trustee after
13 Confirmation in connection with the Chapter 11 Case, consistent with applicable provisions of the
Bankruptcy Code, Bankruptcy Rules, and 28 U.S.C. § 1930(a)(6).

14 **J. Computation of Time**

15 In computing any period of time prescribed or allowed by the Plan, the day of the act, event, or
16 default from which the designated period of time begins to run shall not be included. The last day of
17 the period so computed shall be included unless it is a Saturday, a Sunday, or a legal holiday, or, when
18 the act to be done is the filing of a paper in the Bankruptcy Court, a day on which weather or other
conditions have made the clerk's office inaccessible, in which event the period runs until the end of
the next day which is not one of the aforementioned days.

19 **K. Final Decree**

20 After the Estate is fully administered, the Debtor shall file an application for a Final Decree,
21 and shall serve the application on the U.S. Trustee, together with a proposed Final Decree.

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1 **XVIII. RECOMMENDATION AND CONCLUSION**

2 The Debtor has analyzed different scenarios and believes that the Plan will provide for a larger
3 distribution to holders of Claims than would otherwise result if an alternative restructuring plan were
4 proposed or if the Debtor was liquidated under Chapter 7. In addition, any alternative other than
5 Confirmation of the Plan could result in extensive delays and increased administrative expenses
6 resulting in potentially smaller distributions to the holders of Claims and equity interests. Accordingly,
7 the Debtor recommends confirmation of the Plan and urges all holders of Allowed Claims to vote to
8 accept the Plan and to indicate acceptance by returning their Ballots so as to be received by no later
9 than the voting deadline.

10 Dated: March 7, 2014

11 /s/ Shaun Martin
12 Native Energy Farms, LLC
13 By Shaun Martin
14 its Managing Member
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EXHIBIT A**LIQUIDATION ANALYSIS**

| | Liquidation (sold via auction) | % Recovery Low/High | Under Plan (36 months to Market) |
|------------------------------|---|--------------------------------|---|
| Property: | \$1,100,000.00 | | \$8,000,000.00 |
| Claims: | | | |
| SMI/ISC | (\$1,298,000.00) | 84%/100% | (\$1,298,000.00) |
| Gen. Unsecured | (\$30,000.00) | 0%/100% | (\$30,000.00) |
| Admin Claims | (\$26,213.00) | 0%/100% | (\$26,213.00) |
| <u>SMI/ISC 20% of Profit</u> | <u>--</u> | <u>0%/100%</u> | <u>(\$797,036.00)</u> |
| Equity Interest | -- | 0%/100% | \$5,848,751.00 |

EXHIBIT B**DISTRIBUTIONS UNDER THE PLAN**

| | |
|-----------------------------|------------------------------|
| <u>NEW DIP LOAN:</u> | <u>\$2,000,000.00</u> |
|-----------------------------|------------------------------|

| | |
|------------------------------|----------------|
| Estimated Points and Fees | (\$125,000.00) |
|------------------------------|----------------|

| | |
|------------------------|----------------------|
| Admin Claims: | (\$26,213.00) |
| <u>Global Guidance</u> | <u>(\$22,500.00)</u> |

| | |
|---|------------------------------|
| Total Amount of DIP Loan Available to Debtor for Project | <u>\$1,826,287.00</u> |
|---|------------------------------|

DISTRIBUTIONS AFTER DEVELOPMENT AND SALE OF PROPERTY

| | |
|---------------------------|------------------------------|
| <u>SALE PRICE:</u> | <u>\$8,000,000.00</u> |
|---------------------------|------------------------------|

| | |
|-----------------|-----------------------|
| DIP Loan | \$2,000,000.00 |
|-----------------|-----------------------|

| | |
|---------------------|-----------------------|
| SMI/ISC Loan | \$1,298,000.00 |
|---------------------|-----------------------|

| | |
|-----------------|---------------------|
| GGG, LLC | (\$9,982.50) |
|-----------------|---------------------|

| | |
|------------------------------|-----------------------|
| Interest on DIP Loan: | (\$600,000.00) |
|------------------------------|-----------------------|

| | |
|---------------------------------------|------------------------------|
| <u>Interest Due to SMI/ISC</u> | <u>(\$116,820.00)</u> |
|---------------------------------------|------------------------------|

| | |
|----------------|-----------------------|
| Profit: | \$3,975,197.50 |
|----------------|-----------------------|

| | |
|-------------------------------------|------------------------------|
| <u>20% Profit to SMI/ISC</u> | <u>(\$795,039.50)</u> |
|-------------------------------------|------------------------------|

| | |
|--|------------------------------|
| Distribution to Equity Interest | <u>\$3,180,158.00</u> |
|--|------------------------------|